# EXECUTIVE SUMMARY

<table>
<thead>
<tr>
<th>Issuer:</th>
<th>California Infrastructure and Economic Development Bank (IBank)</th>
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<tbody>
<tr>
<td>Par Amount Requested:</td>
<td>Not to exceed $200,000,000</td>
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<tr>
<td>Type of Issue:</td>
<td>New Money</td>
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**Issue New Bonds and Use of Bond Proceeds:**
IBank proposes to issue fixed-rate tax-exempt and/or taxable Infrastructure State Revolving Fund Revenue Bonds (2016A Bonds) and use the proceeds, together with other funds available to IBank, to (i) finance loans to eligible borrowers for infrastructure and economic expansion projects pursuant to IBank’s Infrastructure State Revolving Fund Program (ISRF Program), (ii) fund a reserve fund and (iii) pay costs of issuance.

**Public Benefits:**
The issuance of the 2016A Bonds is expected to enhance IBank’s ability to continue to provide low-cost, long-term financing to eligible borrowers for a variety of infrastructure and economic expansion projects throughout the state.

**Financing Structure:**
- **Type of Issue:** Publicly-offered fixed-rate bonds, issued in minimum denominations of $5,000 or integral multiples thereof.
- **Tax Status:** Tax-exempt and/or Taxable.
- **Term:** not later than December 1, 2046
- **Credit Enhancement:** None.

**Financing Team:**
- **Bond Counsel:** Orrick, Herrington & Sutcliffe LLP
- **Disclosure Counsel:** Stradling Yocca Carlson & Rauth
- **Joint Senior Managing Underwriters:** J.P. Morgan Securities, LLC. and Piper Jaffray & Co.
- **Co-Senior Manager:** Stifel & Nicolaus
- **Underwriter’s Counsel:** Schiff Hardin LLP
- **Financial Advisor:** Lamont Financial Services Corporation
- **Trustee:** U.S. Bank National Association
- **Agent for Sale:** California State Treasurer

**Staff Recommendation:**
The Staff recommends approval of Resolution No. 16-11 authorizing the issuance of fixed-rate tax-exempt and/or taxable bonds with (i) a par amount not to exceed $200,000,000, (ii) a true interest cost (TIC) not to exceed 4.0% and (iii) a final maturity not later than December 1, 2046.
IBank Staff (Staff) is proposing that the 2016A Bonds be issued and secured pursuant to (i) the Indenture, dated as of February 1, 2014 (2014 Indenture), between IBank and U.S. Bank National Association, as trustee (Trustee), as supplemented by the First Supplemental Indenture, dated as of February 1, 2014, between IBank and the Trustee (First Supplemental Indenture) with respect to the issuance of the Series 2014A Bonds (2014A Bonds) and by the Second Supplemental Indenture, dated as of June 1, 2015, between IBank and the Trustee (Second Supplemental Indenture) with respect to the issuance of the Series 2015A Bonds (2015A Bonds) and as supplemented and amended by the Third Supplemental Indenture to be entered into in connection with the 2016A Bonds, between IBank and the Trustee (Third Supplemental Indenture). The 2014 Indenture, as supplemented by the First Supplemental Indenture and the Second Supplemental Indenture, and as supplemented and amended by the Third Supplemental Indenture, is hereinafter referred to as the “Indenture.”

As of May 1, 2016, the aggregate amount of the 2014A Bonds and the 2015A Bonds outstanding is $177,395,000. The 2014A Bonds, the 2015A Bonds and, if approved by the Board, the 2016A Bonds, together with any additional series of bonds under the Indenture, are collectively referred to as the “Program Bonds.” Each bond issuance secured by the Indenture will be issued in accordance with a supplemental indenture (Supplemental Indenture). Capitalized terms used but not otherwise defined in this Staff Report have the definitions given to them in the Indenture.

If approved by the Board, the 2016A Bonds would be issued by IBank to provide funds, together with other available funds of IBank, to (i) finance ISRF Program loans (Loans), (ii) provide additional funds to the Reserve Fund established under the Indenture, and (iii) pay costs of issuance of the 2016A Bonds. Interest on the 2016A Bonds is expected to be payable each April 1 and October 1, commencing on October 1, 2016, with annual principal payments due on October 1, commencing on October 1, 2016.

A total of 117 Loans have been approved by IBank under the ISRF Program with principal amounts totaling nearly $554 million. As of May 1, 2016, IBank has 89 Loans outstanding with outstanding principal balances totaling approximately $292 million that are currently pledged to the Indenture. All payments on these pledged loans have generally been made on time, and are in compliance with the material financial covenants. IBank has one Loan with an outstanding principal balance totaling approximately $2.4 million to the Sacramento-Yolo Port District (District) that is not pledged to the Indenture. This loan was approved by the IBank Board in February 2001 via Resolution No. 01-08. This loan is not qualified to be pledged to the Indenture as the District exceeds the limits pertinent to private activity usage. In addition, IBank has 5 bond anticipation loans (BALs) recently approved by the Board in the aggregate amount of $58.0 million that IBank will pledge to the Program Bonds when such BALs are originated.
If approved by the Board, the 2016A Bonds will be issued under the Indenture. The Indenture uses an open indenture structure (Open Indenture), which provides for a common pool of assets/loans pledged to secure all series of Program Bonds generally on a parity basis under the Indenture. By allowing more than one series of Program Bonds to be secured by a common pool of assets/loans, the Open Indenture structure of the Indenture reduces the need for tracking separate loans pledged to separate series of bonds issued under separate indentures and tracking separate covenants specific to each series. The Open Indenture structure is designed to (i) ease cash flow administration, (ii) increase credit capacity for future leveraging allowing for more efficient debt service coverage as program demand increases, (iii) increase flexibility for additional Program Bond issuances, and (iv) use one common pool of assets to satisfy bond debt service coverage ratios for the 2014A Bonds, the 2015A Bonds, the 2016A Bonds and all future bonds issued under the Indenture.

The Third Supplemental Indenture includes an amendment to Section 5.10(a) of the 2014 Indenture. This amendment more closely aligns the 2014 Indenture’s requirements to IBank’s business practices by measuring sums available for transfer out of the Revenue Fund into the Equity Fund under the Indenture against IBank’s “projected” operating expenses as opposed to its “budgeted” expenses.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2016 BONDS

Collateral

If approved by the Board, the 2016A Bonds will be limited obligations of IBank, payable solely from and secured by a pledge and assignment of all of IBank’s rights, title, and interest in and to (a) the Pledged Loans (as defined below); (b) the Pledged Funds and Accounts (as defined below), and all money, instruments, investment property, and other property from time-to-time credited to or on deposit in the Pledged Funds and Accounts; and (c) all other revenues credited to or on deposit in the Pledged Funds and Accounts (collectively, Collateral).

The primary source of repayment for Program Bonds is Pledged Loan Repayments (as defined below) made by Borrowers under a number of Pledged Loans (Pledged Loans). Under the Open Indenture structure, future loans made under the ISRF Program would, as a general practice, be added to the common pool of Pledged Loans. Pledged Loan Repayments are all payments of principal, interest, or premiums on a Pledged Loan, whether as a result of scheduled payments or prepayments or remedial proceedings taken in the event of a default.

For the 2016A Bonds, the Pledged Funds and Accounts consists primarily of the Revenue Fund, the Interest Fund, the Principal Fund, the Reserve Fund (as described below), the Supplemental Revenue Fund, and the Equity Fund, to the extent and as provided in the Indenture. The Pledged Funds and Accounts also include the Series 2016A Bond Proceeds Fund established pursuant to the Third Supplemental Indenture.
Reserve Fund

If approved by the Board, the 2016A Bonds will be designated as 2014A Reserve Fund Participating Bonds secured by the Reserve Fund established pursuant to Section 14.08 of the First Supplemental Indenture. The Third Supplemental Indenture will provide that an amount necessary to fund the Reserve Fund (together with amounts already on deposit therein) equal to the 2014A Bond Reserve Requirement (as defined below) will be transferred to the Trustee for deposit into the Reserve Fund pursuant to the Indenture to secure the payment of principal of and interest on the 2016A Bonds.

REPAYMENT OF PROGRAM BONDS

Overview of Source of Repayment

Common Pool of Pledged Loans. IBank has pledged 89 existing loans to the common pool of Pledged Loans with an outstanding principal balance of approximately $292 million as of May 1, 2016 to secure the repayment of the Program Bonds. If issuance of the 2016A Bonds is approved by the Board, the loans currently in the common pool of Pledged Loans would secure the 2014A Bonds, the 2015A Bonds and the 2016A Bonds as well as any future Program Bonds.

RECOMMENDATION

The Staff recommends approval of Resolution No. 16-11 in connection with the issuance of fixed-rate tax-exempt and/or taxable Program Bonds with (i) a par amount not to exceed $200,000,000, (ii) a true interest cost (TIC) not to exceed 4.0% and (iii) a final maturity not later than December 1, 2046.